

ORIGINAL

STATE OF INDIANA

INDIANA UTILITY REGULATORY COMMISSION

IN THE MATTER OF THE VERIFIED PETITION OF )  
INDIANA MICHIGAN POWER COMPANY FOR ) CAUSE NO. 43315  
APPROVAL OF AN ALTERNATE FEED SERVICE )  
(AFS) AGREEMENT WITH RAYTHEON SYSTEMS ) APPROVED: SEP 19 2007  
COMPANY. )

**BY THE COMMISSION:**

David E. Ziegner, Commissioner

William G. Divine, Administrative Law Judge

On July 2, 2007, Indiana Michigan Power Company ("Petitioner" or "I&M") filed its Verified Petition with the Indiana Utility Regulatory Commission ("Commission") seeking approval of an Alternate Feed Service Agreement ("Agreement" or "Contract") with Raytheon Systems Company ("Raytheon"). Included with the Verified Petition was a copy of the Agreement, marked as "Exhibit WWH-1." Petitioner also submitted, in support of the Verified Petition, the prefiled testimony of William W. Hix.

On July 31, 2007, the Indiana Office of Utility Consumer Counselor ("OUCC") filed its notice of intent not to file testimony and informed the Commission that the OUCC did not object to the Commission's approval of the Agreement.

Pursuant to notice given and published as provided by law, proof of which was incorporated into the record of this Cause by reference and placed in the official files of the Commission, a public evidentiary hearing was conducted on August 28, 2007, at 10:00 a.m. EDT in Commission Hearing Room 224 of the National City Center, Indianapolis, Indiana. Petitioner and the OUCC participated in the hearing. At the hearing, I&M's prefiled direct testimony was admitted into evidence without objection and cross-examination was waived.

The Commission, based upon the applicable law and the evidence of record, now finds as follows:

1. **Notice and Jurisdiction.** Due, legal and timely notice of the hearings in this Cause was given as required by law. I&M is a "public utility" within the meaning of the term in Ind. Code § 8-1-2-1(a) of the Public Service Commission Act, as amended, and is subject to the jurisdiction of the Commission in the manner and to the extent provided by the laws in Indiana.

2. **Petitioner's Characteristics and Business.** I&M is a public utility corporation organized and existing under the laws of the State of Indiana. I&M provides electric service to approximately 454,000 retail electric customers in the State of Indiana.

3. **Relief Requested.** In this Cause, Petitioner seeks Commission approval of an Agreement entered into between I&M and Raytheon on May 31, 2007. Raytheon is a retail customer of I&M that operates an engineering and manufacturing facility in Fort Wayne, Indiana. The Agreement requires I&M to provide redundant facilities to serve Raytheon's 4624 Executive Drive, Fort Wayne, Indiana facility so that an alternate feed will exist in the event an outage occurs on the I&M distribution circuit that normally supplies electrical services to

Raytheon. This Agreement was made in response to Raytheon's desire to establish an alternate feed service arrangement and in so doing enhance the reliability of electric service provided to its facility.

4. **Evidence.** I&M submitted the direct testimony of William W. Hix (WWH), Senior Regulatory Consultant in I&M's Regulatory Services Department, in support of I&M's request for approval of the Agreement. As explained by Mr. Hix, the Basic Service, which Raytheon already receives, is a distribution service that provides Raytheon (and other Basic Service customers) electrical service from a single power source. WWH, at 3. By comparison, the alternative feed provided by the Agreement will provide Raytheon with a redundant distribution facility to serve as a back-up in the event an outage should occur on the distribution circuit that normally provides service to Raytheon. *Id.* at 2. Mr. Hix further explained that an alternate feed is typically provided from a separate distribution station transformer and circuit with automatic or manual switch-over and recovery between basic and alternate service feeds. *Id.* at 3. He testified that the alternate feed, in combination with basic service, does not guarantee uninterrupted service, but is intended to provide greater service reliability than basic service alone by providing a second source of service to reduce the risk of extended distribution system interruption. *Id.*

Mr. Hix testified that Raytheon requested I&M to provide Raytheon with an alternate feed at its 4624 Executive Drive facility in Fort Wayne, Indiana. After investigating the feasibility of the request, I&M offered to provide the alternate feed to Raytheon via contract, subject to Commission approval. *Id.* at 3-4. Mr. Hix also reviewed the terms and conditions of the Agreement. *Id.* at 4-5. Among other things, Mr. Hix explained that the Agreement (1) provides Raytheon alternative feed service ("AFS") on a temporary basis when the Basic Service circuit is unavailable; (2) designates the AFS circuit and the capacity reservation on such circuit; and (3) acknowledges that Raytheon has paid for or is paying for the installation of any dedicated or local facilities initially necessary to provide the alternate feed service. *Id.* at 4. Mr. Hix explained that if after the initial term of the Agreement, I&M demonstrates that an AFS circuit has, or will, become capacity deficient for an unforeseeable reason, Raytheon will relocate to a different AFS circuit at its expense or pay the incremental portion of those costs of upgrading the facilities that would not be incurred by I&M but for Raytheon's continued use of the circuit for alternate feed service. *Id.* at 4-5. Mr. Hix also explained that the Agreement is independent of, and would not be affected by, the approval by the Commission of an AFS contract between I&M and any other AFS customer. *Id.* at 5. Finally, he stated that the Agreement sets forth the parties' responsibilities regarding the transfer switch; lays out the term of the Agreement; and includes some clarifying provisions, including a provision that should I&M receive approval of an AFS tariff from the IURC, the Agreement shall be terminated and AFS will be made available under the approved AFS tariff. *Id.*

Additionally, Mr. Hix explained that the Agreement is similar to the AFS Contracts approved by the Commission in Cause Nos. 42787, 42869, 42988 and 43091. *Id.* Finally, Mr. Hix explained that the Agreement will not increase or decrease any tariff rates presently charged to Raytheon or any other I&M customer. *Id.* He added that the Agreement is practical and advantageous to the parties and its terms are reasonable, just and not inconsistent with the regulatory framework. *Id.* at 6. He concluded that the Agreement meets the criteria for approval. *Id.*

5. **Commission Discussion and Findings.** Under Indiana law, a public utility may enter into any reasonable arrangement with a customer that is practicable and advantageous to the parties, reasonable and just and not inconsistent with the purpose of the Act. Ind. Code § 8-1-2-24 provides:

Nothing in this chapter shall be taken to prohibit a public utility from entering into any reasonable arrangement with its customers or consumers, or with its employees, or with any municipality in which any of its property is located, for the division or distribution of its surplus profits, or providing for a sliding scale of charges or other financial device that may be practicable and advantageous to the parties interested. No such arrangement or device shall be lawful until it shall be found by the commission, after investigation, to be reasonable and just and not inconsistent with the purpose of this chapter. Such arrangement shall be under the supervision and regulation of the commission.

Ind. Code § 8-1-2-25 provides as follows:

The commission shall ascertain, determine and order such rates, charges and regulations as may be necessary to give effect to such arrangement, but the right and power to make such other and further changes in rates, charges and regulations as the commission may ascertain and determine to be necessary and reasonable, and the right to revoke its approval and amend or rescind all orders relative thereto, is reserved and vested in the commission, notwithstanding any such arrangement and mutual agreement.

Substantial evidence shows, and we find, that the Agreement is practical and advantageous to the parties interested therein as well as reasonable and just and not inconsistent with the purposes of the Ind. Code § 8-1-2-1 *et seq.* Accordingly, we further find the Agreement should be approved in its entirety.

**IT IS THEREFORE ORDERED BY THE INDIANA UTILITY REGULATORY COMMISSION that:**

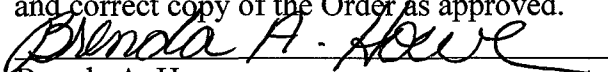
1. The Contract for Alternate Feed Service by and between Raytheon and Indiana Michigan Power Company shall be and hereby is approved in its entirety.

2. This Order shall be effective on and after the date of its approval.

**HARDY, GOLC, LANDIS, SERVER AND ZIEGNER CONCUR:**

**APPROVED: SEP 19 2007**

I hereby certify that the above is a true and correct copy of the Order as approved.



Brenda A. Howe

Secretary to the Commission